

CORRECTED FISCAL NOTE

HB 3047 - SB 3431

April 7, 2008

SUMMARY OF BILL: Exempts from state and local sales tax the first \$100,000 of sales of tangible personal property sold annually by a charitable entity whose primary function involves fundraising in support of a city, county or metropolitan library system.

ESTIMATED FISCAL IMPACT:

On February 4, 2008, we issued a fiscal note on this bill indicating a *one-time increase of state expenditures of \$90,000, a decrease of state revenue of \$280,000 per year, and a decrease of local government revenue of \$90,000 per year*. Based on additional information received from the Department of Revenue and the Secretary of State, the fiscal impact of this bill was corrected on February 25, 2008 to reflect the following estimated impact:

(CORRECTED)

Increase State Expenditures - \$90,000 / One-Time

Decrease State Revenue – \$264,600

Decrease Local Revenue – \$85,100

Based on new information received from the Secretary of State and the State Librarian and Archivist, the fiscal impact for this bill is estimated as follows:

(CORRECTED)

Increase State Expenditures - \$90,000 / One-Time

Decrease State Revenue – \$183,300

Decrease Local Revenue – \$58,900

Assumptions:

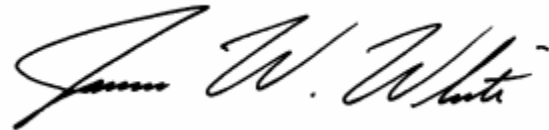
- According to the State Librarian and Archivist, there are 187 library systems in Tennessee.

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- The number of non-profit public library support organizations is estimated to be 187 (one per library system).
- The majority of annual sales revenue generated on behalf of local government library systems by such charitable entities is estimated to be substantially lower than the \$100,000 maximum allowance.
- Sales are not limited to books; includes the sale of tangible personal property.
- Taxable sales of such charitable entities for tangible personal property are estimated to average 14% of the maximum (or \$14,000) per entity.
- Total taxable sales are estimated to be \$2,618,000 (187 entities x \$14,000 = \$2,618,000) per year.
- The current state sales tax rate is 7.00%
- The decrease of state revenue is estimated to be \$183,300 ($\$2,618,000 \times 7.00\% = \$183,260$) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue is estimated to be \$58,900 ($\$2,618,000 \times 2.25\% = \$58,905$) per year.
- The Department of Revenue indicates a form and systems change would be required to ensure the organization's first \$100,000 of sales are not included in the tax computation.
- The one-time increase to state expenditures for form changes and computer and software modifications is estimated to be \$90,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc